



# COUNTY OF SAN LUIS OBISPO

AUDITOR • CONTROLLER • TREASURER • TAX COLLECTOR

## **Child Support Services Cash Procedures & Internal Control Review**

**March 2016**

**JAMES P. ERB, CPA  
Auditor-Controller  
Treasurer-Tax Collector-Public Administrator**



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TO: JULIE PAIK, DIRECTOR CHILD SUPPORT SERVICES

FROM: JAMES P. ERB, CPA, AUDITOR-CONTROLLER-TREASURER-TAX COLLECTOR 

DATE: MARCH 18, 2016

SUBJECT: CASH PROCEDURES AND INTERNAL CONTROL REVIEW OF CHILD SUPPORT SERVICES CONDUCTED ON FEBRUARY 3, 2016

Our office recently completed a cash procedures and internal control review of Child Support Services that took place on February 3, 2016. Our review resulted in 3 suggested improvements.

## Purpose

The purpose of our review was to determine compliance with the County Auditor-Controller's Cash Handling Policy, to establish accountability for the cash on hand at the time of the review, to assess the controls over purchasing cards, and to determine compliance with the County Information Technology (IT) Acceptable Use Policy Acknowledgement signature requirements.

## Scope

The scope of our review included cash and receipts on hand on February 3, 2016 as well as deposits for the prior year. Additionally, we reviewed the department's depository accounts, Cal-Card activity and controls over MasterCards. County IT Acceptable Use Policy Acknowledgements signed in the past calendar year were also sampled and examined.

## Methodology

We conducted our review in conformance with the *International Standards for the Professional Practice of Internal Auditing*. The International Standards for the Professional Practice of Internal Auditing require that the internal audit activity be independent and internal auditors be objective in performing their work. The Standards also require that internal auditors perform their engagements with proficiency and due professional care; that the internal audit function be subject to a program of quality assurance; and that the results of engagements are communicated.

Our review included physically counting all cash on hand for February 3, 2016 and reconciling the amount to the department's accountability figures. We examined cash receipts and compared the amounts to the corresponding receipts total and to the subsequent deposit. Our review also included an evaluation of internal controls over cash receipts, MasterCards and Cal-



Card activity. Our evaluation of internal controls was limited to inquiries of departmental staff and direct observations.

Additionally we tested for compliance with the County of San Luis Obispo Information Security Program's requirement that employees annually sign the Acceptable Use Policy Acknowledgement form.

### Results

We determined all cash funds and cash receipts on hand to be in balance at the time of our count, and employees signed the IT Acceptable Use Policy Acknowledgement form in a timely manner. The Department's internal controls over Cal-Cards appear to be adequate.

The department is in general compliance with the Cash Handling Policy. During fieldwork we identified some areas where improvements could be made, and we provided the Department with suggestions for making these improvements. Suggestions for improvement are for issues that the auditor considers not to be of an immediate serious nature and/or for issues which the department is able to correct at the time of the audit. Unlike formal audit findings, written departmental responses are not required for these issues. Our suggestions are detailed in the Suggested Improvements section below:

### Suggested Improvements

#### 1. Establish an Independent Petty Cash Reconciliation

The petty cash fund was not reconciled by someone other than the petty cash custodians. The Auditor-Controller's County Cash Handling Policy states petty cash funds should be periodically counted and reconciled by someone other than the custodian on a surprise basis. When reconciliations are not performed by an independent party the risk of the fund being misused increases. We recommend the petty cash fund be reconciled monthly by someone other than the petty cash custodians. Subsequent to fieldwork Child Support Services notified us they will implement periodic petty cash reconciliations by someone other than the custodians.

#### 2. Establish a Travel Card Checkout Log

A MasterCard travel card checkout log was not in use. The County Credit Card Use Policy states a card checkout log must be used when the card is issued to staff. Child Support Services staff were unaware a checkout log needed to be kept. Lack of a checkout log increases the risk for misuse of county funds. We recommended a checkout log be established to track the MasterCard travel card use. Subsequent to fieldwork Child Support Services staff notified us they have established a travel card checkout log.

#### 3. Supervisor Approval of Voided Payment Receipts

Voided payments were not reviewed and approved by a supervisor. The Auditor-Controller's County Cash Handling Policy states all voided receipts must be reviewed and initialed by an immediate supervisor. Child Support Services staff were unaware voided receipts needed to

be reviewed by an immediate supervisor. Direct review of voided receipts mitigates the risk of misappropriation of funds. We recommended a supervisor review and approve all voided payment receipts. Subsequent to fieldwork Child Support Services staff notified us an immediate supervisor is reviewing and approving voided payment receipts.

We appreciate the courteous attitude of your staff and the cooperation we received during the course of our review.